

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

IN RE:  PURPA STANDARDS IN THE ENERGY INDEPENDENCE AND SECURITY ACT OF 2007	DOCKET NO. NOI-08-3
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**SMART GRID REPORT AND  
ORDER CONTINUING PROHIBITION OF ARCS**

(Issued June 25, 2012)

**I. PROCEDURAL HISTORY**

On December 5, 2008, the Utilities Board (Board) issued an order initiating a notice of inquiry in response to the requirements of the Energy Independence and Security Act of 2007 (EISA). Among the many provisions of this federal legislation are four new federal electric ratemaking standards added to the Public Utility Regulatory Policies Act of 1978 (PURPA). A workshop on smart grid issues was held on August 24, 2009.

On March 9, 2010, the Board expanded the inquiry to address the Federal Energy Regulatory Commission's (FERC) determinations that directed regional transmission organizations, such as the Midwest Independent Transmission System Operator, Inc. (MISO), to amend their rules to allow aggregators of retail customers (ARCs) to offer demand response resources into wholesale energy and ancillary

services markets, if allowed by state commissions.<sup>1</sup> Interstate Power and Light Company (IPL) and MidAmerican Energy Company (MidAmerican) are both MISO members.

On March 29, 2010, the Board issued an "Order Temporarily Prohibiting Aggregators of Retail Customers from Operating in Iowa and Allowing Comments." A second workshop was held on April 16, 2010, addressing both smart grid and aggregation of retail customers. After the second workshop, participants had an opportunity to file additional comments.

On October 14, 2011, the Board issued an "Order Soliciting Comments" which contained specific questions related to both smart grid and ARCs; the questions were designed to examine any new developments since the 2010 workshop. MidAmerican and IPL were required to respond to the questions contained in the order and other participants were invited to respond to some or all of the questions in the order. In addition to MidAmerican and IPL, comments were filed by the Consumer Advocate Division of the Department of Justice (Consumer Advocate), the Iowa Association of Electric Cooperatives (IAEC), the Iowa Association of Municipal Utilities, Missouri River Energy Services, Demand Response Supporters (DR Supporters)<sup>2</sup>, and Lon Crosby, Ph.D.

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<sup>1</sup> Final Rule, "Wholesale Competition in Regions with Organized Electric Markets," Docket Nos. RM07-19-000 and AD07-7-000, 125 FERC ¶ 61,071 (2008) (Order 719) and "Order on Rehearing," 128 FERC ¶ 61,059 (Order 719-A).

<sup>2</sup> DR Supporters consists of: Comverge, Inc., EnerNOC, Inc., Energy Connect by Johnson Controls, Energy Curtailment Specialists, Inc., the Environmental Law & Policy Center of the Midwest, Wal-Mart Stores, Inc., and Sam's West, Inc.

Not all inquiry participants responded to each of the Board's questions. For example, MRES and DR Supporters provided responses only to the ARC-related questions and Dr. Crosby submitted general comments and recommendations, but did not address specific questions. A detailed summary of the comments is part of a memorandum to the Board from its staff dated April 30, 2012; a copy of this memorandum is available through the Board's electronic filing system, <https://efs.iowa.gov/efs/>. The Board will first address ARCs and then smart grid.

## **II. ARCS**

The Board's March 29, 2010, order, temporarily prohibits ARCs from operating in Iowa and also prohibits retail customers or third-party ARCs from transferring demand response load reductions to MISO markets. In the order, the Board noted that there were potential benefits and detriments to allowing ARCs to operate in Iowa. However, the Board pointed out that there were questions as to whether allowing ARCs to operate in Iowa would violate various provisions of Iowa Code chapter 476, including the exclusive electric service territory statutes, Iowa Code §§ 476.22 through 476.26. The Board also stated that there were questions about whether allowing ARCs to operate could leave regulated electric utilities with the legal responsibilities and costs of providing generation for customers which are reselling their capacity on the wholesale market, potentially imposing additional costs on other captive ratepayers that could be discriminatory, unjust, and unreasonable or above the tariffed rate. Iowa Code §§ 476.4, 476.5, and 476.8.

The Board also said in its March 29, 2010, order that after further investigation of the issues surrounding ARCs in Docket No. NOI-08-3, the Board may continue, withdraw, or modify the temporary prohibition of ARCs operating in Iowa. Since the order was issued, the Board has continued to monitor ARC developments; the October 14, 2011, order soliciting comments was issued, in part, to allow other interested participants to weigh in on ARC issues.

MidAmerican, IPL, IAEC, and MRES each stated that ARCs should continue to be prohibited from operating in Iowa. DR Supporters argued that ARC participation could add value to current utility demand response programs and recommends that the Board provide a forum where options for ARC participation can be considered. Consumer Advocate noted that ARC activity in Iowa might stimulate changes in utility demand side management programs and ultimately achieve high participation levels, but did not state whether it believed the ARC prohibition should be lifted.

The Board will continue the prohibition against ARCs operating in Iowa and will also continue to prohibit retail customers or third-party ARCs from transferring demand response load reductions to MISO markets. The Board is not persuaded that any benefits from ARC operation can be expected to outweigh the detriments at this time. Also, there have been no amendments to chapter 476 since the Board issued its March 29, 2012, order and the Board continues to have concerns that there might be legal impediments to allowing ARCs to operate in Iowa.

### **III. SMART GRID**

Participants' comments related to smart grid provided an overview of current activity and technological advances. The staff memorandum that contains a summary of the comments can also serve as a resource document because it includes footnoted links to reports and Websites cited in various comments. Generally, Iowa utilities continue to monitor smart grid initiatives throughout the country. A common theme throughout the comments was the importance of focusing on the balance between customer value and cost. Both Consumer Advocate and IPL see distribution system enhancements as leading smart grid opportunities for Iowa utilities to pursue.

Current smart grid activities in Iowa include:

1. IPL developed an option which allows industrial customers to view daily usage via a Web-based interface and receive monthly reports on that information.
2. IPL installed approximately 1,000 special meters for city of Dubuque customers participating in the "Smarter Electricity Project."
3. MidAmerican is deploying its Opower pilot project which provides home energy reports that include detailed usage information and tips for conserving energy.
4. IAEC reported that at least ten of its members have plans to replace all of their meters within certain time frames. In total, approximately

84,000 meters will be replaced. When these projects are complete, more than 34 percent of their customers will have upgraded meters.<sup>3</sup>

5. IAMU provided updates on two grant-funded projects—the \$5 million Smart Grid Investment Grant from the U.S. Department of Energy (five Iowa utilities are participating) and the development of time-of-use rates for three utilities. These two grants are also providing funding for deployment of smart meters and data collection systems in Algona (system-wide deployment), Atlantic, Cedar Falls, and Waverly (pilot projects of various sizes). Spencer completed a system-wide conversion to automated metering infrastructure without grant funds.

Generally, Iowa's two investor-owned utilities (MidAmerican and IPL) have no current plans to rapidly deploy smart grid technologies. Both utilities continue to monitor technological advances and smart grid initiatives around the country.

The Board also plans to continue monitoring smart grid developments on an ongoing basis and evaluate on an approximate annual basis whether there are sufficient developments to warrant soliciting additional comments. Therefore, Docket No. NOI-08-3 will remain open and participants will be notified of any future Board action in this inquiry docket.

The Board wishes to thank the participants for their effort in submitting comments to educate the Board on smart grid and ARC developments. The Board hopes that participants will continue to provide assistance to the Board and others

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<sup>3</sup> Based on the 2010 annual report data filed with the Board.

when future developments warrant additional investigation into these topics. Iowans are well-served when there is a robust debate on energy issues from participants expressing viewpoints of diverse stakeholders.

#### **IV. ORDERING CLAUSES**

##### **IT IS THEREFORE ORDERED:**

1. The prohibition on ARCs from operating in Iowa is continued, pending further order of the Board. The prohibition on retail customers or third-party ARCs from transferring demand response load reductions to MISO markets is also continued, again subject to further Board orders.

2. A detailed summary of the comments filed in response to the Board's questions is part of a memorandum to the Board from its staff dated April 30, 2012; a copy of this memorandum is available through the Board's electronic filing system, <https://efs.iowa.gov/efs/>.

3. Docket No. NOI-08-3 will remain open and, in addition to the Board's ongoing monitoring of smart grid developments, the Board will evaluate approximately each year whether there have been developments that warrant

comment from inquiry participants. Inquiry participants will be notified if the Board solicits additional information.

**UTILITIES BOARD**

/s/ Elizabeth S. Jacobs

/s/ Darrell Hanson

ATTEST:

/s/ Joan Conrad  
Executive Secretary

/s/ Swati A. Dandekar

Dated at Des Moines, Iowa, this 25<sup>th</sup> day of June 2012.